

Financial Status Report

Prepared by the Finance Department



June 30, 2012

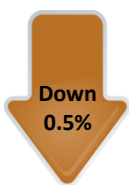
This report summarizes the City of Carlsbad's General Fund revenues and expenditures through June 30, 2012. It compares revenues and expenditures for Fiscal Year 2011-12 and Fiscal Year 2010-11. In addition, the financial status of the Water and Wastewater Enterprises are included. This report is for internal use only. The figures presented here are unaudited and have not been prepared in accordance with Generally Accepted Accounting Principles (GAAP).

General Fund Balance

The books have been closed for the fiscal year, and the audit is underway. Interest income is shown on an amortized cost basis, and will be adjusted to market value as required under GAAP for presentation in the Comprehensive Annual Financial Report (CAFR). Revenues totaled \$116.4 million, which was \$1.8 million above recent projections. Expenditures and encumbrances at \$118.4 were \$20.6 million below the budget for the year. Due to the City of Carlsbad's fiscal discipline, as reflected in the chart, the General Fund's unassigned fund balance is projected to grow by \$2.1 million for the year, for a total of just over \$59.5 million.

GENERAL FUND FISCAL YEAR 2011-12 UNASSIGNED FUND BALANCE (unaudited)	
	Actual on a Budgetary Basis
Unassigned Fund Balance 7/1/2011	\$57,467,325
Revenues/Transfers In*	116,428,957
Expenditures/Encumbrances/Transfers Out	(118,398,692)
Other Changes in Nonspendable, Committed and Assigned**	4,046,329
Unassigned Fund Balance 6/30/2012	<u>\$59,543,919</u>
<small>* Interest income is shown on an amortized basis, and will be \$318,385 less when adjusted to fair market value as required under GAAP for financial statement reporting. ** Nonspendable, committed and assigned fund balances include advances and additional amounts not available for spending.</small>	

General Fund Revenues



Property Taxes (\$48.2 million) – Property taxes reflected a 0.5 percent decrease over Fiscal Year 2010-11. According to the County of San Diego Assessor's Office, assessed values in Carlsbad decreased by 0.41 percent for Fiscal Year 2011-12. This was the third year in a row that Carlsbad's assessed values decreased from year to year. This reflected the continuing countywide slowdown in property valuation and new construction, as well as an increase in foreclosures. The decrease in this year's assessed values was due entirely to a decrease in the valuation of commercial and industrial properties; residential assessed values actually increased by 2 percent for the year.

The primary reasons that property taxes for the fiscal year decreased by 0.5 percent as compared to the prior fiscal year were:

- Current taxes were up by \$146,000 or 0.3 percent compared to last year due to additional revenues received as a result of the state dissolving the city's redevelopment project areas.
- Aircraft taxes were down by \$123,000 due to one-time revenues received in the prior fiscal year.
- Supplemental taxes were up by \$27,000.
- Payments for previous years' taxes were down by \$385,000 due to a decrease in collections of past due tax bills and an increase in commercial/industrial property reassessments.

- Unitary taxes were up by \$106,000 due to an increase in assessed values by the state as well as a higher allocation percentage given to the City of Carlsbad.



Sales Taxes (\$28.7 million) – For the year, sales tax revenues were \$2.3 million (or 9 percent) higher than the previous fiscal year. The higher revenues for the year were the result of a 14.4 percent increase in sales tax revenues during the second calendar quarter of 2011, a 4.3 percent increase in sales tax revenues during the third calendar quarter of 2011, a 7.7 percent increase in sales tax revenues during the fourth calendar quarter of 2011, an 8 percent increase in sales tax revenues during the first calendar quarter of 2012, a 5.8 percent growth in the semi-annual “Triple Flip” payment, and the State Board of Equalization applying a positive 14.9 percent growth factor to the monthly advances for the second calendar quarter of 2012.

For sales occurring in the first calendar quarter of 2012 (the most recent data available), key gains could be seen in new auto sales, apparel stores, recreation products and restaurants. During the same period, key declines could be seen in office equipment, light industry and chemical products. Excluding one-time payments received as the result of audit findings, payments for previous quarters, etc., actual sales tax transactions were up 8.9 percent for sales occurring in the 12 months ended March 31, 2012 over the same 12-month period last year.

The largest economic segments in the city continue to be new auto sales, restaurants, apparel stores, department stores and miscellaneous retail. Together, they generate 63 percent of the city’s sales tax revenues.



Transient Occupancy Tax (\$12.9 million) – Transient Occupancy Taxes (TOT) for the year reflected an increase of \$1.3 million, 11 percent more than the previous year. The city’s two largest hotels accounted for 61 percent of the increase. One of the city’s larger hotels was undergoing a major renovation during a portion of the previous fiscal year. In addition, higher occupancy rates and room rates throughout most of the city’s other hotels contributed to the variance. Another factor leading to this increase was the opening of a new 215 room beachfront Hilton Hotel in the Ponto area in the southwest quadrant of the city. Year-to-date TOT figures represent taxes collected on hotel receipts through the month of June 2012.

Currently, there are 3,817 hotel rooms and 1,002 vacation rentals (timeshares) in the city. The average occupancy of hotel rooms over the most recent 12 months has been 61 percent, 3 percentage points above last year’s average.



Franchise Taxes (\$4.8 million) – Franchise taxes are generated from public utility sources such as San Diego Gas & Electric (SDG&E), trash collection franchises, fiber optic antenna systems and cable franchises conducting business within city limits. Year-to-date franchise taxes were up \$181,000 over the same period last year. Relatively flat trash collection revenue, a 2 percent increase in fiber optic antenna system revenues, a 2 percent increase in cable television franchise revenues (Time Warner and AT&T), and an 8.5 percent increase in the annual franchise fees paid by SDG&E created the positive variance for the year.

SDG&E pays franchise taxes for the use of public land over which they transport gas and electric services. In addition, SDG&E pays an “in-lieu” franchise tax based on the value of gas and electricity transported through SDG&E lines, but purchased from another source. The majority of “in-lieu” taxes collected is from Cabrillo Power, the operator of the Encina Plant. The “in-lieu” tax was put in place to capture the franchise taxes on gas and electricity that is transported using public lands, but which would not otherwise be included in the calculations for franchise taxes. The franchise taxes paid by SDG&E were up in total by 8.4 percent. Net electricity sales were up by 15 percent, while net gas sales were up by 9 percent. The primary reason for these increases were the result of a reduction in rebates and refunds due to a reconciliation between actual and projected fuel costs for electricity, biannual one-time gas credits, and rolling black out credits for non-core energy gas customers during the energy crisis of 2010. The “in-lieu”

taxes were down by 4 percent; a reflection of the amount of utilities transported through SDG&E lines but not purchased from SDG&E.



Interdepartmental Charges (\$3.8 million) – Interdepartmental charges were \$737,000, or 24 percent higher than last year. These charges were generated through engineering services charged to capital projects (up 20 percent or \$156,000), reimbursed work from other funds (up 78 percent or \$6,000) and miscellaneous interdepartmental expenses charged to funds outside the General Fund for services performed by departments within the General Fund (up 26 percent or \$575,000). In the previous fiscal year, the

city charged miscellaneous interdepartmental expenses based on guidelines used for federal grant reimbursement, which did not allocate the expenses for all services performed by the General Fund. In Fiscal Year 2011-12, the city changed the method for calculating the costs of services provided by the General Fund to other funds. This new method will more accurately allocate all costs, including those associated with legislative services.



Business License Tax (\$3.7 million) – Business license revenues were up \$87,000 compared to Fiscal Year 2010-11. This increase was due mainly to an overall increase in license renewals, indicating that business volumes throughout the city were rising. Additionally, one of the city's larger companies paid their license in June, one month earlier than the prior year.

There are currently 8,855 licensed businesses operating within the city, 9 more than the prior year. The majority of taxed businesses (6,214 businesses) are located in Carlsbad, with 2,519 of these businesses home-based.



Ambulance Fees (\$2.7 million) – The city bills any individual who is transported in one of the city's ambulances. For the year, receipts from ambulance fees were up 9 percent or \$219,000 higher than last fiscal year at this time. The number of billable transported patients in Fiscal Year 2011-12 (4,856) versus Fiscal Year 2010-11 (4,387) increased moderately as reflected in the higher revenues for the year.

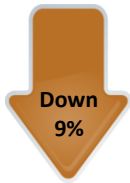


Development-Related Revenues (\$2.7 million) – Development-related revenues, which include building permits, planning fees, building department fees, and engineering fees, reflected a modest increase for the year.

Development related fees are paid by developers to cover the cost of reviewing and monitoring development activities such as plan checks and inspections. One of the largest development related revenue sources in the year was engineering plan check fees, which is one of the first fees paid during the initial stages of development. Some of the activity in June included the development of the Seascape residential neighborhood and the new Lowe's shopping center.

Another source of development related revenue is building permits, which were up 14 percent as compared to last fiscal year. The increase in building permit revenue was derived from the combination of an increase in the valuation of new construction combined with an increase in the number of residential building permits issued, partially offset by the fact that industrial and commercial development decreased in the fiscal year. The year-to-date valuation of new construction in the fiscal year was just under \$187.3 million, while it was just under \$175.3 million in the previous fiscal year, a 6.8 percent increase. The pace of development remained steady during the month of June with 44 permits being issued. Contractors will build 17 of the new homes in the southeast quadrant as part of the La Costa Bluffs, Amberly and Sandalwood projects. In the southwest quadrant, building permits were issued for 16 condominiums in Vista Del Mar, formerly known as the Muroya development. Lastly, the remainder of June's 11 permitted homes will be constructed in the northeast quadrant as part of the Rockrose and Sycamore neighborhoods in Robertson Ranch. For the fiscal year, 424 residential permits were issued, as compared to 260 permits issued during last fiscal year.

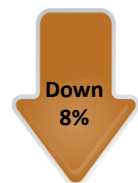
For the month of June, no permits were issued in the city for new industrial, commercial or office space. Year-to-date there was 218,884 square feet of commercial/industrial permits issued, as compared to 630,320 square feet in Fiscal Year 2010-11.



Income from Investments and Property (\$2.4 million) – For the year, income from investments and property was down \$235,000 compared to the previous fiscal year.

Interest income was down for the year due to the net effect of a 7.5 percent increase in the average daily cash balance combined with a 19.7 percent decrease in the average yield on the portfolio for the year (a drop in the yield from 2.055 percent last fiscal year to 1.65 percent in the current fiscal year). In addition, the General Fund prepaid the employer PERS contribution for the whole year for the entire city (versus on a bi-weekly basis as in previous years) in July 2011. This reduced the interest earnings in the General Fund by approximately \$142,000 for the fiscal year.

Income from property rentals was up by \$47,000 for the year primarily due to the rental of the parking lot at the Westfield Mall, additional building rentals located in the village project area of the former redevelopment agency, and higher facility rental revenues at most of the city's recreational facilities.



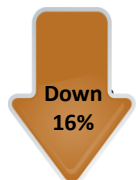
Recreation Fees (\$1.6 million) – Recreation fees are generated through instructional classes, camps, youth and adult sports, the triathlon, special events, parent participation preschool, senior programs, various aquatic programs, and lagoon permits. The Parks & Recreation Department program revenue was impacted by the slow economic recovery. Although revenue for the programs gradually improved, it was still lower than the previous year. Overall demand for access to recreation and active, healthy lifestyle programming continues to grow.



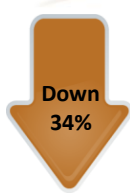
Other Licenses and Permits (\$974,000) – Other licenses and permits consist of plumbing, electrical, mechanical, right-of-way, grading, conditional land use, lagoon, and other miscellaneous permit revenues. These permits usually increase/decrease along with increases/decreases in development activity, which was the case for the year.



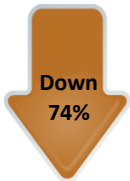
Transfer Taxes (\$925,000) – When real property is sold, the County Assessor's Office charges a transfer tax. The transfer tax rate in San Diego County is \$1.10 per thousand multiplied by the selling price of the property. The city receives 50 percent of the transfer tax charged for sales within the City of Carlsbad. Year-to-date revenues increased modestly. A major factor in this increase was the sale of the Forum shopping center in the southwest quadrant of the city.



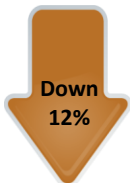
Fines and Forfeitures (\$843,000) – Fines and forfeitures represent fees collected for code violations, parking citations, overdue fines, and returned checks. The city recognizes revenues when the citizen pays the fine or forfeiture, as opposed to when the fine is imposed. The largest factor in the decrease in revenues was the fact that in November of 2010, the city received an additional payment from the traffic court for code violations. This payment represented additional revenues collected in prior years but was not received by the city during those years. In addition, the number of moving violation citations issued on a monthly basis was down considerably from the prior fiscal year.



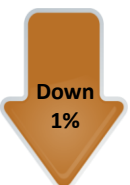
Other Intergovernmental Revenues (\$706,000) – Other intergovernmental revenues include miscellaneous receipts received from the state or federal governments, as well as local school districts. Included in the \$706,000 received this year were reimbursements for Peace Officer Standards and Training (POST), state library grants, federal senior nutrition grants, state mandated costs reimbursements, reimbursement from local school districts for school resource officers, a habitat restoration grant, and law enforcement assistance. Major factors in this year's decrease included the timing of the payments received from the school districts and a federal grant received in the prior fiscal year enhancing security along the border.



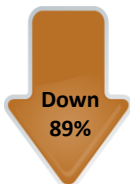
Other Revenue Sources (\$648,000) – Other revenue sources decreased by \$1.8 million and included revenues received by the city to offset the costs of special studies or projects for developers; reimbursements for damage done to city streets, right-of-ways, and other city-owned property; donations; reimbursement from the Gas Tax Fund for traffic signal maintenance; miscellaneous reimbursed expenses and refunds of prior year fees. A major factor in the decrease in revenues in the current fiscal year was an increase in prior year business license refunds for two of the city's larger businesses. These two businesses had overpaid their business license taxes over the past three years, and these refunds represented the overpayment of the tax during this time period. In addition, in the prior fiscal year, was a large increase in reimbursements received by the General Fund for the administrative costs of managing deposits being held for developers.



Other Charges or Fees (\$584,000) – Other charges and fees are generated through the sale of city documents such as agenda bills, blueprints and copies; general fees collected for false alarms, easements and agreements, weed abatement and kiosk signs; audio/visual rental fees; and general services such as mutual aid response, mall police services, emergency response services, reports, etc. A decrease in abandoned vehicle fees and one-time administrative fee revenues received in the prior fiscal year, accounted for the reduction in revenues during the year.



Homeowners' Exemptions (\$368,000) – When property taxes are calculated on a particular parcel of property, the first \$7,000 of property value is excluded from the property tax calculation. The state then reimburses the city for this mandated exemption. This reimbursement is entitled Homeowners' Exemption revenue and is shown under intergovernmental revenues.



Vehicle License Fees (\$53,000) – Vehicle License Fees (VLF) decreased by 839 percent over Fiscal Year 2010-11 figures. The California Constitution requires the proceeds of 0.65 percent (this is the tax rate imposed on vehicles) of VLF to go to cities and counties only and prohibits the legislature from directing that the funds be used to pay for new state mandates on local government after 2010. Seventy-five percent of the revenues from the 0.65 percent VLF are transferred to the state's Local Revenue Fund to pay counties for various health and welfare services. Under the law through Fiscal Year 2010-11, the state Department of Motor Vehicles takes about 65 percent of the remaining funds for administrative charges, leaving the remainder for cities and counties. As part of the 2009 state budget agreement, a number of law enforcement grant programs that were previously funded by the state General Fund were instead funded by a 0.15 percent state VLF increase. This temporary VLF increase expired on July 1, 2011. With the adoption of the Fiscal Year 2011-12 state budget, the governor has taken away the portion of VLF previously given to counties and cities to be used to fund these law enforcement grant programs.

The revenues received in the current fiscal year represented a retroactive clean-up payment received by the city for prior fiscal years.

Expenditures

Total General Fund expenditures, encumbrances and transfers out for Fiscal Year 2011-12 equaled \$118.4 million. This was \$20.6 million less than the budget of \$139 million. These "savings" represent an accumulation of efficiency efforts achieved over the past 11 years. Expenditures are shown on a budgetary basis, which means they include all amounts actually spent during the year, plus any money encumbered at the end of the year. A portion of the \$20.6 million in unspent money will be carried over to the next fiscal year. These "savings" will be used for one-time projects to improve efficiencies in the city.

The City Council allocated \$500,000 out of the General Fund budget for unanticipated emergencies or unforeseen program needs. As of June 30, 2012, \$255,066 had been authorized out of the contingency account, as shown in the chart below.

CONTINGENCY ACCOUNT USE OF FUNDS			
EXPLANATION	AMOUNT	DATE	RESOLUTION NUMBER
ADOPTED BUDGET	\$500,000		
USES:			
"In Kind" Service Assistance for the Friends of Cardiff and Carlsbad State Beach	(110)	07/01/2011	City Manager
"In Kind" Service Assistance for the Real Living Lifestyles 2011 Day Fair	(330)	07/19/2011	City Manager
Donation for the Real Living Lifestyles 2011 Day Fair	(3,965)	07/19/2011	City Manager
Special Events Grant for the Carlsbad Music Festival	(10,000)	09/13/2011	2011-219
"In Kind" and Cash Assistance for the Agua Hedionda Lagoon Foundation Special Event	(10,000)	10/11/2011	2011-231
Winning Teams Grant for the Carlsbad Softball Association	(13,000)	10/11/2011	2011-245
Winning Teams Grant for the La Costa Canyon Pop Warner Cheer Squad	(5,000)	12/13/2011	2011-289
"In Kind" and Cash Assistance for the Mitchell Thorp Foundation Walk/Run	(1,373)	01/18/2012	City Manager
Development of a Professional Strategic Plan for the City's Real Property Assets	(40,000)	01/24/2012	2011-020
Winning Teams Grant for the Carlsbad High School Xcalibur Dance Team	(4,100)	01/24/2012	2012-024
"In Kind" Assistance for the Southern California Special Olympics	(1,508)	04/24/2012	City Manager
"In Kind" and Cash Assistance for the 5th Annual Beach Fest	(10,000)	05/22/2012	2012-121
Severance Pay for Position Eliminated as Part of the Redevelopment Dissolution	(5,680)	06/12/2012	2012-134
Additional Legal Costs Associated with the Power Plant Opposition	<u>(150,000)</u>	06/26/2012	Closed Session
TOTAL USES	<u>(255,066)</u>		
AVAILABLE BALANCE	<u><u>\$244,934</u></u>		

Detailed schedules of General Fund revenues and expenditures are provided on the following pages.

**GENERAL FUND
REVENUE COMPARISON**

	ESTIMATED REVENUE 2011-12	ACTUAL REVENUE 2010-11	ACTUAL REVENUE 2011-12	ACTUAL 2011-12 COMPARED TO ACTUAL 2010-11 DIFFERENCE	%
TAXES					
PROPERTY TAX	\$ 48,107,000	\$48,409,517	\$48,181,124	(\$228,393)	-0.5%
SALES TAX	27,561,000	26,386,132	28,733,198	2,347,066	8.9%
TRANSIENT TAX	12,545,000	11,568,576	12,872,425	1,303,849	11.3%
FRANCHISE TAX	4,785,000	4,649,535	4,830,399	180,864	3.9%
BUSINESS LICENSE TAX	3,689,000	3,581,369	3,668,442	87,073	2.4%
TRANSFER TAX	950,000	910,976	924,807	13,831	1.5%
TOTAL TAXES	97,637,000	95,506,105	99,210,395	3,704,290	3.9%
INTERGOVERNMENTAL					
VEHICLE LICENSE FEES	53,000	483,273	52,838	(430,435)	-89.1%
HOMEOWNERS EXEMPTIONS	375,000	372,945	368,465	(4,480)	-1.2%
OTHER	799,000	1,066,496	705,705	(360,791)	-33.8%
TOTAL INTERGOVERNMENTAL	1,227,000	1,922,714	1,127,008	(795,706)	-41.4%
LICENSES AND PERMITS					
BUILDING PERMITS	665,000	767,581	878,316	110,735	14.4%
OTHER LICENSES & PERMITS	870,000	822,704	973,543	150,839	18.3%
TOTAL LICENSES & PERMITS	1,535,000	1,590,285	1,851,859	261,574	16.4%
CHARGES FOR SERVICES					
PLANNING FEES	350,000	285,268	324,097	38,829	13.6%
BUILDING DEPT. FEES	628,000	681,264	695,988	14,724	2.2%
ENGINEERING FEES	640,000	668,755	758,760	90,005	13.5%
AMBULANCE FEES	2,525,000	2,471,423	2,689,979	218,556	8.8%
RECREATION FEES	1,500,000	1,694,304	1,554,054	(140,250)	-8.3%
OTHER CHARGES OR FEES	673,000	660,767	584,147	(76,620)	-11.6%
TOTAL CHARGES FOR SERVICES	6,316,000	6,461,781	6,607,025	145,244	2.2%
FINES AND FORFEITURES	900,000	1,001,461	842,846	(158,615)	-15.8%
INCOME FROM INT & PROPERTY	2,321,000	2,615,193	2,380,319	(234,874)	-9.0%
INTERDEPARTMENTAL CHARGES	3,700,000	3,015,095	3,751,783	736,688	24.4%
OTHER REVENUE SOURCES	977,000	2,467,662	647,722	(1,819,940)	-73.8%
TRANSFERS IN	0	185,094	10,000	(175,094)	-94.6%
TOTAL GENERAL FUND	114,613,000	114,765,390	116,428,957	1,663,567	1.4%

GENERAL FUND EXPENDITURE STATUS BY DEPARTMENT				
DEPT DESCRIPTION	TOTAL BUDGET FY 2011-12	AS OF 06/30/12		
		ACTUAL ON A BUDGETARY BASIS (b)	UNDER/ (OVER) BASIS (c)	% UNDER/ (OVER) BUDGET
POLICY/LEADERSHIP GROUP				
CITY COUNCIL	\$409,680	\$337,599	\$72,081	17.6%
CITY MANAGER	1,766,994	1,515,105	251,889	14.3%
COMMUNICATIONS	815,832	791,111	24,721	3.0%
CITY CLERK	169,211	142,025	27,186	16.1%
CITY ATTORNEY	1,393,458	1,289,939	103,519	7.4%
CITY TREASURER	216,343	183,730	32,613	15.1%
RECORDS MANAGEMENT	779,370	697,968	81,402	10.4%
TOTAL POLICY/LEADERSHIP	5,550,888	4,957,477	593,411	10.7%
INTERNAL SERVICES				
FINANCE	4,002,444	3,708,957	293,487	7.3%
HUMAN RESOURCES	2,934,505	2,426,163	508,342	17.3%
PROPERTY AND ENVIRONMENTAL MANAGEMENT	5,973,202	5,351,022	622,180	10.4%
TOTAL INTERNAL SERVICES	12,910,151	11,486,142	1,424,009	11.0%
PUBLIC SAFETY				
POLICE	28,155,562	27,655,573	499,989	1.8%
FIRE	17,563,127	17,107,511	455,616	2.6%
TOTAL PUBLIC SAFETY	45,718,689	44,763,084	955,605	2.1%
COMMUNITY DEVELOPMENT				
COMMUNITY AND ECONOMIC DEVELOPMENT	9,779,077	8,714,535	1,064,542	10.9%
HOUSING AND NEIGHBORHOOD SERVICES	613,568	499,953	113,615	18.5%
TOTAL COMMUNITY DEVELOPMENT	10,392,645	9,214,488	1,178,157	11.3%
COMMUNITY SERVICES				
PARKS AND RECREATION	15,184,366	12,966,884	2,217,482	14.6%
LIBRARY AND ARTS	11,484,076	10,612,231	871,845	7.6%
TOTAL COMMUNITY SERVICES	26,668,442	23,579,115	3,089,327	11.6%
PUBLIC WORKS				
TRANSPORTATION	10,807,301	9,375,472	1,431,829	13.2%
UTILITIES	304,593	237,200	67,393	22.1%
TOTAL PUBLIC WORKS	11,111,894	9,612,672	1,499,222	13.5%
NON-DEPARTMENTAL & CONTINGENCY				
OTHER NON-DEPARTMENTAL (a)	13,636,034	2,090,819	11,545,215	84.7%
TRANSFERS OUT	12,744,398	12,694,895	49,503	0.4%
CONTINGENCY	244,934	0	244,934	100.0%
TOTAL NON-DEPT & CONTINGENCY	26,625,366	14,785,714	11,839,652	44.5%
TOTAL GENERAL FUND	\$138,978,075	\$118,398,692	\$20,579,383	14.8%
(a) Other non-departmental includes technology innovation, property tax administration fees, assessment district administration, citywide litigation expenses, and other items not attributed to a specific department.				
(b) Actual expenditures on a budgetary basis include encumbrances and exclude non-budgeted items.				
(c) These "savings" represent an accumulation of efficiency efforts achieved over the past ten years.				

Water Enterprise

WATER OPERATIONS FUND JUNE 30, 2012					
	BUDGET FY 2011-12	YTD (*) 06/30/2011	YTD (*) 06/30/2012	CHANGE FROM YTD 2010-11 TO YTD 2011-12	PERCENT CHANGE
REVENUES:					
WATER DELIVERY	27,846,968	25,531,724	29,469,541	3,937,817	15.4%
MISC. SERVICE CHARGES	213,000	256,565	271,640	15,075	5.9%
PROPERTY TAXES	2,975,000	2,781,642	2,748,527	(33,115)	-1.2%
FINES, FORFEITURES & PENALTIES	257,000	280,534	301,394	20,860	7.4%
OTHER REVENUES	368,300	3,487,595	418,499	(3,069,096)	-88.0%
TOTAL OPERATING REVENUE	31,660,268	32,338,060	33,209,601	871,541	2.7%
EXPENSES:					
STAFFING	3,418,467	3,395,599	3,397,947	2,348	0.1%
INTERDEPARTMENTAL SERVICES	1,977,786	1,910,312	1,961,028	50,716	2.7%
PURCHASED WATER	14,855,277	13,401,508	14,855,277	1,453,769	10.8%
MWD/CWA FIXED CHARGES	5,085,511	4,282,646	5,044,732	762,086	17.8%
OUTSIDE SERVICES/MAINTENANCE	940,572	841,903	472,041	(369,862)	-43.9%
DEPRECIATION/REPLACEMENT	4,193,000	4,094,543	4,193,000	98,457	2.4%
CAPITAL OUTLAY	24,298	17,768	0	(17,768)	-100.0%
MISCELLANEOUS EXPENSES	2,130,132	1,623,854	907,389	(716,465)	-44.1%
TOTAL OPERATING EXPENSES	32,625,043	29,568,133	30,831,414	1,263,281	4.3%
OPERATING INCOME/(LOSS)	(964,775)	2,769,927	2,378,187	(391,740)	-14.1%
(*) Adjusted to reflect timing differences for water purchases and depreciation.					

Revenues

- The increase in water delivery revenues was the net result of a combination of a 3.4 percent increase in the number of water units sold and an average 10 percent increase in water rates charged to our customers (water sales and delivery charges) that went into effect in January 2012.
- An increase in new account charges and same day turn on fees were reflected in higher miscellaneous service charges.
- Higher fines, forfeitures and penalties were the result of an increase in late charges and door hanger fees due to rate increases that have occurred over the past couple of years.
- The decrease in other revenues was the result of a reimbursement received by the Enterprise last fiscal year from the Marbella lawsuit.

Expenses

- Although the amount of purchased water has only increased slightly (approximately 2 percent), an 8 percent rate increase in the cost of water purchased from the SDCWA was the primary driver in this variance.
- In addition to the purchased water cost increase, the fixed costs from MWD and CWA continued to increase significantly on an annual basis.
- A reduction in expenses related to meter replacements was reflected in lower outside services/maintenance and miscellaneous expenses.

An increase in water sales due to a dry winter and higher water rates led to higher operating revenues than originally anticipated. The decrease in operating expenses was due to a delay in the meter replacement program caused by the reevaluation of the program. Enterprise staff spent the last year looking at new technology to ensure the best course of action for the program.

Wastewater Enterprise

WASTEWATER OPERATIONS FUND JUNE 30, 2012					
	BUDGET FY 2011-12	YTD (*) 06/30/2011	YTD (*) 06/30/2012	CHANGE FROM YTD 2010-11 TO YTD 2011-12	PERCENT CHANGE
REVENUES:					
CHARGES FOR CURRENT SERVICES	10,835,614	9,973,054	10,936,995	963,941	9.7%
INTEREST	0	1,134	19,864	18,730	1651.7%
OTHER REVENUES	266,000	502,236	319,755	(182,481)	-36.3%
TOTAL OPERATING REVENUE	11,101,614	10,476,424	11,276,614	800,190	7.6%
EXPENSES:					
STAFFING	2,128,587	2,077,544	1,938,753	(138,791)	-6.7%
INTERDEPARTMENTAL SERVICES	1,084,268	843,894	1,061,865	217,971	25.8%
ENCINA PLANT SERVICES	3,159,311	3,017,692	2,936,041	(81,651)	-2.7%
OUTSIDE SERVICES/MAINTENANCE	608,073	284,268	247,517	(36,751)	-12.9%
DEPRECIATION/REPLACEMENT	3,630,000	2,644,557	3,630,000	985,443	37.3%
CAPITAL OUTLAY	6,277	14,796	12,099	(2,697)	-18.2%
MISCELLANEOUS EXPENSES	534,037	618,163	502,592	(115,571)	-18.7%
TOTAL OPERATING EXPENSES	11,150,553	9,500,914	10,328,867	827,953	8.7%
OPERATING INCOME/LOSS	(48,939)	975,510	947,747	(27,763)	-2.8%
(*) Adjusted to reflect timing differences for Encina quarterly invoices and depreciation.					

Revenues

- The increase in charges for current services was primarily the result of an additional 2,237 new residential account fees over the past 12 months, as well as a 6.5 percent rate increase that went into effect in January 2012.
- Interest revenue was the combination of interest earnings on the cash balance in the fund as well as earnings on the debt service reserve. Although the earnings on the debt service reserve were relatively flat for the year, a large increase in the average daily cash balance in the fund partially offset by a 19.7 percent decrease in the yield on the Treasurer's portfolio for the year has created this year's variance.

Expenses

- The elimination of one position and the vacancy of an additional position in the Enterprise reduced staffing expenses for the year.
- Additional interdepartmental charges were the result of an updated cost allocation plan that was completed in the prior fiscal year.
- Encina plant services decreased due to a reduction in staffing at the facility.
- The large increase in depreciation expense was a result of a one-time depreciation adjustment made in the prior fiscal year (a reduction in the expense) related to the Encina plant assets.
- Prior year purchases of parts and pumps for sewer lift stations as well as parts for the vactor and CCTV van were reflected in the reduction in miscellaneous expenses.

Wastewater revenues came in essentially on budget for the year. Operating expenses came in below budget due to a reduction in staffing both with the Enterprise and at the Encina facility, and a reduction in outside services and maintenance. Outside services and maintenance expenses can fluctuate year-to-year based on the number of sewer spills and when repairs and maintenance are needed.